

**CITY OF FONDA, IOWA**  
**INDEPENDENT ACCOUNTANT'S AGREED UPON PROCEDURES REPORT FOR THE**  
**PERIOD**  
**JULY 1, 2012 THROUGH JUNE 30, 2013**

**T. P. ANDERSON & COMPANY, P.C.**  
**Certified Public Accountants**

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**CITY OF FONDA, IOWA  
OFFICIALS**

<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
Don Wolf	Mayor	December 31, 2015
Sandy Rix	Council Member	December 31, 2015
Terry Smith	Council Member	December 31, 2015
Jeanne Tiedeman	Council Member	December 31, 2017
Rod Wells	Council Member	December 31, 2017
Angela Podraza	Council Member	December 31, 2017
Phyllis Menke	City Clerk	Indefinite



T.P. ANDERSON & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## **Independent Accountant's Agreed Upon Procedures Report**

To the Honorable Mayor and Members of City Council:

We have performed the following agreed upon for the City of Fonda, Iowa pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Fonda, Iowa for the period July 1, 2012 through June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures we performed are summarized as follows:

### **General Planning**

1. We reviewed the City Council meeting minutes for the year ended June 30, 2013 and performed additional testing for the dates of 11/7/12, 1/2/13, 3/6/13 and 4/3/13. The selected council minutes for the meetings listed above documented that the City complied with Chapters 21, 372.13(6) and 380 of the Code of Iowa per the following:

Per Chapter 21.4, meetings must be preceded by proper notice. Nothing was noted indicating a notice violation occurred. The minutes showed information sufficient to indicate the vote of each member present. All resolutions were passed by the majority vote of all the members of the City Council. There were no closed sessions on the dates selected for testing. Minutes were published within 15 days of the meeting as required by Chapter 372.13(6) of the Code of Iowa.

We did note that for all council minutes, the signature of the clerk was typed and not written.

Condition: Iowa Code Chapter 380.7 requires all actions of the City Council be authenticated with the Clerk's signature.

Cause: The Clerk believed her typed signature complied with this requirement.

Effect: The City was not in compliance with this aspect of the Code of Iowa.

Recommendation: The City Council minutes should be authenticated with the City Clerk's written signature.

Response: We will ensure that Council minutes are manually signed in accordance with the Code of Iowa in the future.

Conclusion: Response accepted.

2. We requested the City Clerk complete an internal control checklist. The City Clerk completed an internal control checklist. We noted an incompatible segregation of duties.

Criteria – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted the same person performs most of the accounting functions.

Cause – The City of Fonda is not large entity; therefore their staff includes a small number of office employees.

Effect – The lack of proper segregation of duties is a material weakness that may result in a material misstatement of the financial statements, and provides greater opportunity for fraudulent activity to go undetected.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – This is difficult with the minimal number of staff but we will continue to work on better segregation of duties.

Conclusion – Response accepted.

3. We obtained a copy of the City's June 30, 2013 financial statements. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa. No noncompliance was noted.

#### Cash and Investments

4. We obtained the Clerk's report for the month of December 2013. We footed the report and traced the ending fund balances to the general ledger with no exception.

5. We verified the City performed monthly bank reconciliations.

We selected two months, September 2012 and December 2012, for additional testing. We vouched reconciling items to support, footed the bank reconciliations and obtained a list of outstanding checks at the end of both months and verified checks cleared the bank after the fact. We were able to trace the balances to the City's general ledger for the months selected.

We were not able to verify the bank reconciliations were reviewed by an independent person.

6. We reviewed compliance with the Code of Iowa relating to the following: Chapters 12C.2, which determined a depository resolution was approved by the City Council, Chapter 12B.10B, which determined the City had adopted a written investment policy and Chapter 556.1(12), which determined unclaimed property was reported to the State Treasurer annually before November 1. No noncompliance noted.

7. For the months of September and December of 2012 we obtained a schedule of investment transactions, none of the investment transactions affected the bank reconciliations tested in #5 above. All investments held by the City complied with the City's written investment policy.

#### Long Term Debt

8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for. No new debt was issued during the year.

Criteria – While testing payments for City debt, we noted that the debt payments on the City's Fire and EMS station were paid from the General Fund.

Cause – Because the loan holder has a mortgage lien on the Fire/EMS station, the City did not believe the payments on the debt were required to come from the debt service fund.

Effect – The City did not comply with Iowa Code Section 384.4 with respect to paying all general obligation debt payments from the Debt Service Fund.

Recommendation – All general obligation debt payments should be paid from the Debt Service Fund in the future.

Response – We will make all payments on general obligations from our Debt Service Fund in the future.

Conclusion – Response accepted.

#### Tax Increment Financing

9. We determined that tax increment financing (TIF) collections were properly recorded in a separate Special Revenue Fund.

10. We determined that disbursements from the fund were for TIF obligations that qualify for payment from the TIF collections.

11. We obtained City TIF Form 1 and City TIF Form 1.1 filed by the City in November 2012. We determined that the amounts reported were supported and represented qualified payments eligible for payment from TIF revenues.

12. We obtained the Annual Urban Renewal Report filed for the year ended June 30, 2012 and determined that it was filed timely. The amounts reported on the Levy Authority Summary did agree with the City's records and did reflect certified or certifiable debt for the City. We did identify any rebate agreements entered into by the City.

#### Fund Balance

13. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for. In addition, we selected specific journal entries and determined they were reasonable, supported, and properly approved.

14. We reviewed the City's fiscal year 2013 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.

We noted the beginning and ending fund balances were reported accurately by comparing AFR to City's general ledger. In addition, we noted RUT transactions were reported accurately in a Special Revenue Fund.

15. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.

We obtained a list of all fund transfers during the year and reviewed transfers for propriety. We determined transfers were recorded in the proper fund and that they were budgeted and approved.

## Receipts

16. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.

17. For the month of March 2013 we reconciled the deposits made in the bank to the receipts reported on the City's general ledger. No variance noted.

18. We verified the electronic deposit of 12 property tax payments for fiscal year 2013. We traced the positing of the property tax receipts for the month of April 2013 to the general ledger with no exceptions noted. We also totaled all property tax collections for Fiscal year 2013 and traced to the budget for reasonableness, no exceptions noted.

19. We confirmed the City's library grant revenue, liquor license revenue, police service fees, road use tax, local option sales tax, and storm sewer grant revenue without exception with the State of Iowa.

20. We determined that a delinquent account list was maintained for the City's utility accounts. We determined that the City did not document a reconciliation of billings and collections regularly. For the month of June 2013, we reconciled the utility collections and billings.

<b>Utility collections per reconciliation</b>	<b>\$</b>	<b>44,441.84</b>
<b>Variance</b>		<b>330.43</b>
<b>Utility collections per Clerk's report</b>	<b>\$</b>	<b>44,772.27</b>

21. We scanned monthly bank statements for unusual deposits none were noted.

## Disbursements

22. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.

We scanned all cancelled checks/images looking for checks to City personnel, unusual vendors and "cash". We noted a large check to USDA rural development. It was approved by the City Council to pay off water revenue notes early. In addition, we examined checks payable to the City Clerk and other personnel authorized to issue/sign checks and reviewed the amount and frequency of the checks and determined that checks were appropriate.

We selected five consecutive checks from alternating months and verified disbursements were adequately supported, by tracing to an invoice with the check stub attached and marked as paid. We also verified amount and payee on the check and matched it to the general ledger by tracing it to the transaction register. Disbursements appeared to meet the test for public purposes.

We noted the City had two related party transactions during the year. Per Chapter 362.5 of the Code of Iowa, total transactions must not exceed \$2,500. We noted one of the related party transactions was over the limit and as such, did not comply with the Code.

Condition – Chapter 362.5(10) of the Code of Iowa states in part a City officer or employee shall not have an interest, direct or indirect, in any contract or job of work or material or the profits thereof or services to be furnished or performed for the officer's or employee's city. Exceptions are made to the regulation if the total annual purchase is less than \$2,500, or if the work was contracted under a competitive bid. The City made purchases from Ray's Plumbing and Heating, which is owned by the Mayor's father, during the year that totaled \$3,179.

Cause – The City does not believe that this work conflicted with the Iowa Code requirements.

Effect – The City did not comply with Chapter 362.5 of the Code of Iowa.

Recommendation – The City should consider bidding such work in the future.

Response – We will consider your recommendation.

Conclusion – Response accepted.

## Payroll

23. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.

We selected five payroll transactions and verified authorization for gross pay and hourly rate per Resolution 2012-07-01. We traced approval of hours worked to timecards. In addition, we verified accuracy of the number of hours paid per the payroll journal to hours worked per the approved timecards. No exceptions were noted.

## Budget

24. We reviewed the budget v actual comparisons of the City's disbursements. We noted that for the Culture and Recreation, Community and Economic Development, and Business Type Activities functions, the actual disbursements for 2013 exceeded the amounts budgeted.

Condition - Chapter 384.20 of the Code of Iowa states in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Cause – The City did not identify the budget issues in time to amend the budget appropriately.

Effect – The City did not comply with Chapter 384.20 of the Code of Iowa.

Recommendation – The City should amend the budget, if needed, to comply with the Code of Iowa.



Response – We will amend our budget in the future if needed.

Conclusion – Response accepted.

We were not engaged to and did not conduct an audit of the operations of the City of Fonda, Iowa, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Fonda, Iowa, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Fonda, Iowa and other parties to whom the City of Fonda, Iowa may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Fonda, Iowa during the course of our Agreed Upon Procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*JP Anderson & Company, PC*

March 14, 2014